vember 23, 1960

Investor's Reader

For a better understanding of business news

EAST TEXAS LEASE PRODUCES FOR GENERAL AMERICAN (see page 21)

JOHNS-MANVILLE TOPS

The lovely lady may not go far with her "almost" automobile but Johns-Manville Corp expects plenty of mileage from its new Acoustical Topliner which made its debut in the 1961 Ramblers of co-developer American Motors. Contoured to snap in snugly under the metal roof of the car, the seamless, laminated fiber glass acoustical ceiling muffles air-borne noises and vibrations. JM looks for a $75-to-100,000,000 market in transportation, appliances, building and other fields.

The new roof liner comes from the Fiber Glass division (acquired from Libbey-Owens-Ford in 1958). JM president Clinton B Burnett confidently predicts this division "will grow five times as fast as the national economy during the next five years."

JM is best known as world's largest manufacturer of asbestos products. It gets its asbestos, which is used in 65% of its "more than 400 products," from company-owned mines in Canada. JM recently announced joint development with three foreign concerns of a new ore body in Newfoundland at a total cost of $18,000,000.

JM built up both record sales and profits in 1959 thanks to a strong demand for building materials in the first three quarters. This year however the company has felt the effects of "a general softening of business accompanied by price declines," also a three-week strike at the Manville, NJ plant. But thanks to initial sales of the roof liner plus expanded fiber glass and tile capacity, 1960 sales are figured close to last year's peak $378,000,000 (they were down 2% after three quarters). Profits, down to $2.49 v $2.81 as of September, are estimated slightly lower than last year's $3.74.

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Conflicting Trends for Papermakers

Production High But Profits Squeezed By Increasing Costs

THIS has been a disappointing year for the paper industry. Most papermakers never did expect a soaring performance at the onset of the Sixties. But most expected to fare better than they have to date.

After a fairly strong 1959 in which many producers wrapped up earnings gains over depressed 1958 they were looking for a "healthy though not booming 1960." So far they have not got it.

Production is high. The industry turned out 25,900,000 tons in the first nine months or 2% above the like 1959 period. For the full year output is expected to total 34,700,000 tons. This again is 2% ahead of 1959 but only half the normal growth rate in the industry. It compares with a 10% boost in 1959, which of course marked a decided rebound from the previous year's recession.

Despite the gains in volume most papermakers have had trouble keeping pace with 1959 earnings not to mention restoring profits to the 1956 highs. There have been some exceptions (notably Scott and Kimberly-Clark) but for the most part profits have been somewhat below last year or at best held about even. Paper stocks have reflected the profit trend. During 1950-56 they easily outpaced the general bull market (by 85% according to the Merrill Lynch stock price index), stayed roughly even for the next three years. But during the past twelve months the paper equities performed 15% worse than the total market average.

Most individual stocks trade well below their highs of earlier this year and many are at the year's low. For example St Regis at 35 is well down from the year's high of 55 and close to the low of 30. West Virginia trades at 36, around 20 points below its year's high. Riegel sells at

27 as against 42 earlier this year.

However most papermakers have maintained their dividends. At the greatly reduced market prices, this makes for many a plump yield. Thus St Regis yields 4%, West Virginia 3.3%, Riegel 4.4%.

Most of the industry's trouble is a matter of costs. Paper producers have been faced with increased costs in practically all phases of their operations from raw materials to freight. Last year wage contracts added 4% on the average to labor costs. Since April papermakers have paid more for such chemicals as liquid chlorine and rosin sizes.

Competition is Keen

At the same time competition has been so intense the industry has been loath to institute much-needed price increases. Thus the producers must absorb the increase in costs themselves and suffer the resulting squeeze on margins. Comments president David L Luke of West Virginia Pulp & Paper: "The industry as a whole is caught in a cost-price squeeze which is adversely affecting current earnings. How the industry will fare in 1961 depends on how good a job it does in managing its affairs, controlling its rate of operations to balance reasonably with demand and controlling its costs to avoid the apparent necessity of increasing prices."

Few prices have been raised. In the middle of the year St Regis raised the price of kraft paper to the January 1957 level and tacked on an additional $5 a ton. Last week Fibreboard boosted prices of corrugated products 10% effective the first of next year. This however restores the price only to the March 1958 level. Further price hikes in the immediate future however appear unlikely.

Behind the cost-price squeeze is the problem of overcapacity which most papermakers concede is the industry's biggest worry. About 1,400,000 tons is being added this year for an estimated 38,700,000 tons of total capacity. This compares with only 30,900,000-ton capacity five years ago. By the end of 1961 capacity is expected to reach 40,200,000 tons. With production currently running over 34,500,000, a normal 4% annual increase in demand would still leave ample capacity to meet potential requirements for at least two years.

It is extremely difficult to tailor capacity to actual demand. New paper machines are usually two-to-three years abuilding and construction cannot be started or stopped according to vagaries in the economic climate. Also as one paper executive pointed out: "This is a growth industry and some degree of overcapacity is needed to provide essential elbow room."

With this year's quasi-recession, elbow room has been spacious. After a strong first quarter swelled by post-steel strike general business activity, demand for most grades of paper and paperboard eased. Later producers began to look for the customary Fall pickup and most seem still to be looking.

The results are evident in the earnings reports. Industry leader International Paper reported nine-

St Regis stores rolls of container board

month earnings 11% below the $4.48 netted last year on "somewhat" fewer sales. International has been hurt by higher costs in its container board division. Also the severe decline in housing has cut both sales and profits from International's lumber and plywood operations. Even so IP indicated its faith in a growth future with a 3-for-1 split and an increase in the quarterly cash dividend voted last month. As a result the stock quickly shot up from its low of 85 to around 100. But this is still far below the year's high of 136.

Second largest paper producer Crown Zellerbach is an exception. Thanks to plant efficiencies and a favorable West Coast marketing position president Reed Hunt expects Crown Zellerbach to show substantial sales gains and top the $2.76 netted last year (IR, October 26). At the nine-month mark earnings stood at $2.15 *v* $2.03.

Another big producer is St Regis, a leader in kraft and printing papers, whose nine-month profits dipped to $1.58 a share from $2.26 despite the "best sales level to date." The company noted the "adverse cost-price squeeze which is a dominant factor in industry during the readjustment now taking place in the national economy." Kraft producer Union Bag-Camp also watched net dip 1% despite record nine-month sales.

Likewise West Virginia Pulp & Paper, though profits for the nine months ended July were still ahead of 1959, watched third quarter net fall to 53¢ as against 60¢ a year ago. Earnings for Riegel Paper which makes waxed papers and other packaging materials fell in the first three quarters of 1960 to $1.51 from $1.89 a year earlier. Chairman Howard E Whitaker of white paper and paperboard producer Mead Corp noted the 5% decline in earnings for the 40 weeks ended October 2 reflects

"increased costs of wages and raw materials which have not been completely offset by improved operating efficiencies and cost reduction programs."

Federal Paper Board which is the third largest producer of folding boxboard earned only $1.83 in the 36 weeks ended September as against $2.72 the year before. President John R Kennedy blamed "the continued keen competition in the paperboard and carton market and there are no signs of an easing in this situation." Container Corp worldwide sales in the first nine-months were up 2% to $245,500,000—but only because a $10,700,000 (over 30%) leap in foreign sales more than offset a $6,000,000 domestic decline. At the same time the company's profits eased only a nickel a share to $1.31 as a $633,000 gain in overseas earnings partly countered a $1,166,000 domestic decline.

Champion Paper & Fibre which makes printing and fine papers as well as paperboard for food packaging reported six-month (September) earnings of 83¢ *v* 91¢. President E R Leonhard of Paterson Parchment Paper Company which turns out vegetable parchments remarked on "a continuing industry-wide cost-price squeeze brought on by increased freight and labor costs without an offsetting price increase." His company netted one-third less than the record 90¢ reported in the nine-month period last year. Profits for Hammermill Paper, an important producer of fine papers, totaled $1.50 in the 36 weeks ended September 11, off a dime from last year.

Of course there are exceptions. Newsprint producers, aided by increased consumption, have generally managed to come up with better profits even though newsprint prices still hold at the March 1957 level. Thus Great Northern netted $1.84 in the nine-month period *v* $1.04. MacMillan, Bloedel & Powell River posted nine-month earnings of 89¢ as against 82¢; Minnesota & Ontario $1.83 *v* $1.72.

Sanitary Paper Gains

The best gains however were made by the sanitary paper producers which benefited both from increased consumption and better prices. Biggest of these is Scott Paper whose nine-month sales rose 7% to a record $234,000,000 while earnings set a high of $2.45 a share *v* $2.20. Likewise Kimberly-Clark best known for Kleenex and Kotex but also a maker of newsprint and book papers, chalked up a record $3.51 for its April fiscal year. In the three-month period ended July the company netted 76¢ a share, up from 67¢ the year before. KMB has been one of the better performers. On the Big Board the 9,000,000 common shares are quoted at 80, off only two points from the year's high and well up from the low of 62.

Other exceptions to the trend included Oxford Paper whose earnings gain reflects smooth operations of the new North Star Coater which was beset with kinks last year. Thanks to better prices for printing papers, its main product, plus benefits from a recently completed modernization program S D Warren also did better. President George Olmsted

Paperboard production at West Virginia

estimates full-year earnings around \$2.50 *v* \$2.30 last year.

On the whole however most paper producers were squeezed and they do not look for any immediate relief. Remarks David Luke: "We are anticipating and are prepared for a period of intense competition—more vigorous than anything we've experienced since the Thirties."

They must rely on improved and more efficient operations plus the ability to develop new uses for many of their products. Says president William H Walters of diversified packager Diamond National (several mergers ago it started as Diamond Match): "One of the principal problems facing the industry is the neglect of the profit possibilities in the conversion end of the business."

Already papermakers are studying what is new for the industry. A prime example of innovation is West Virginia's Clupak. There is also much talk of a wedding of paper and plastic products such as paper containers with plastic windows, plastic coated paper cups and containers for hot drinks. Newly formed Kimberly Stevens, joint subsidiary of Kimberly-Clark and textiler J P Stevens, is studying the possibilities of disposable clothes made from unwoven fabrics.

For the long run papermakers are optimistic. President R H Fowler of the Canadian Pulp & Paper Association recently predicted world demand for pulp and paper would double in the next 15 years. And as Oxford president William H Chisholm remarked: "This industry is basically sound. We make something that is eaten up every day. It's not like having a lot of old autos in your shop when the new models come out."

BUSINESS AT WORK

FOREIGN FRONT
Federated in Federation?

BUSTLING Federated Department Stores has managed to establish itself firmly as the country's largest selling department store chain and even more firmly as the nation's most profitable (IR, May 14, 1958 *et seq*). Last week president Ralph Lazarus spoke of plans to make Federated still larger. Without ignoring further opportunities at home, he is investigating the prospects of putting the US-style merchant (probably with the aid of local partners) into foreign lands and particularly into Europe's Common Market countries.

WALL STREET
Christiana Popularization

MOST ANY investor would be delighted to find himself in possession of a block of Christiana Securities common, if only because it is worth a juicy $14,000 or so—for each share. But the duPont family-controlled holding company whose chief asset is 12,200,000 shares of E I duPont de Nemours common is also popular with investors (especially institutional ones) because it offers a stake in America's No 1 chemist at a discount. Currently Christiana sells over-the-counter approximately 9% below the market value of the underlying duPont stock itself.

The investment attribute which attracted a surprising 3,800 holders to Christiana is apt to remain but the days of the super-high price tags may be numbered. The Internal Revenooers willing, Christiana plans to merge with Delaware Realty, a closely held duPont family undertaking which owns one-third of Christiana's 150,000 common shares, an additional 1,218,000 shares of E I duPont common plus some other investments. Following the merger, Christiana is expected to split its stock by "about" 80-to-1.

Significantly, such a split would create a ratio of just about one Christiana share outstanding for every duPont share owned by the holding company. And while the prospective price around $175 for each new share hardly puts the stock into one of the most popular price ranges, the descent from the $14,000 category along with the greatly increased capitalization is quite likely intended as a prelude to a Big Board listing for Christiana.

Certainly the company meets all assets requirements. The duPont stock holdings alone are carried on the books at $44,660,000 cost. More pertinent, the recent price of $190 a duPont share represents a total market value of $2.3 billion.

AVIATION
Northrop Shoots

RIGHT BEFORE its twentieth birthday last year, shareholders voted to change Northrop Aircraft's name to Northrop Corp. The new title reflects the military aircraft producer's take-off from standard winged aircraft into missiles, electronics and long-range communica-

tions. Northrop has indeed come of age. President Thomas V Jones recently reported: "Five years ago Northrop was known as a one-program company. Today it has more than 70 different programs and projects."

But the company is still prominent in winged aircraft. Its Norair division builds the Air Force's T-38 Talon supersonic jet trainer. It has contracted or already delivered 213, also hopes to sell some abroad. This program should continue through 1965. Northrop also subcontracts for Boeing's 707 and KC-135 and McDonnell's F-101.

Under an Air Force contract awarded this Summer for an experimental program "in excess of $20,000,000 over a three-year period" Northrop will build two test planes incorporating Laminar Flow Control, the new name for Low Drag Boundary Control which was developed by Northrop scientist Dr Werner Pfenninger. This technique reduces friction and increases efficiency by smoothing out the flow of air over the wings and tails of aircraft. By almost doubling the mileage per fuel load, the new design concept enables a plane to remain airborne for days at a time.

Missile and space work however account for 70% of Northrop billings. Most important have been the airframe and guidance system production contracts for the Snark intercontinental missile which brought in 24% of sales in the year ended this July. Snark production is scheduled to end early next year and while Northrop has no prime missile production contracts to take its place a number of smaller contracts will keep the company strongly in missile work.

For instance the company's Nortronics division is working on a subcontract from Raytheon Corp for missile launchers, loaders and airframe components for the Army's low-flying surface-to-air Hawk (see picture). Northrop engineers are also working on the guidance system for the Air Force's Skybolt airborne ballistic missile. In addition the company has a $28,000,000 subcontract on the Navy's Polaris for Northrop's own Datico missile checkout system plus precision instruments and other components.

In September Northrop received a contract estimated at $10-to-20,000,000 to install and check out Titan long-range missiles and supporting equipment at Ellsworth Air Force Base in Rapid City, SD. Re-

Army Hawk mounted to fire

marks president Jones: "We were very gratified when Martin called on Northrop to take on a good part of the job [of activating the Titan base in South Dakota]. We see a very substantial number of missile sites to be established not only for the Titan but the Atlas and the Minuteman as well and we feel that our capability in this field will be in demand."

Through its Radioplane division (acquired in 1957) Northrop produces target and surveillance drones, is currently engaged in developing recovery system components for the Mercury and SAMOS satellite programs. It also researches such space age problems as "landing space vehicles on the moon and on other planets."

In its eager quest for "units which either augment or supplement an existing Northrop capability," Northrop acquired three new companies during the past fiscal year. In February 1960 the West Coast manufacturer bought the Military Products division (Naval precision & electronics equipment) of American Radiator & Standard Sanitary.

It stepped into commercial industry this June with the purchase of 53-year-old Acme Metal Molding Company, an aluminum architectural products manufacturer which operates in a field where "Northrop's engineering and manufacturing experience with metals can make an important contribution." Aero Instrument Company of North Hollywood, a small manufacturer of pressure gauges, also joined the Northrop family. Boasts Tom Jones: "All of these acquisitions were profitable when they were acquired and their earnings have improved since."

In another diversification move subsidiary Page Communications Engineers, a designer and builder of advanced long-range communications systems which Northrop merged in 1959, joined with Northrop, Phelps-Dodge and German cable manufacturer Felten & Guilleaume to organize the US Underseas Cable Corp. It will plan, design and construct long distance underseas cable systems and associated equipment.

Research for Growth

Northrop has allotted $12,000,000 for capital expenditures in the year ending next July or one-fourth more than in fiscal 1960. Much of this will go into new research facilities. The company is building a major electronics science and research center at Palos Verdes, Cal and an engineering and science center at Norwood, Mass. A new research and manufacturing center at Conejo (near Los Angeles) is in the planning stage. Recently completed are an underground explosive ordnance lab at Anaheim, Cal and a new space research lab at Hawthorne, Cal.

Northrop business added up to $233,000,000 for the July 1960 year. The 12% drop from fiscal 1959 reflected "the phasing out of production of the Snark missile." However president Jones reports: "Early in 1960 the downward sales trend reversed itself as newer programs began to build up and sales are now climbing again. This is reflected in our backlog which at the

end of the fiscal year amounted to $309,000,000 as compared with $204,000,000 a year earlier." However thanks to increased operating efficiencies plus progress on new programs profits rose for the fourth consecutive year to $7,740,000 or $4.22 a share from $4.01 the year before. This was topped only by peak year 1955 when the company netted $11,740,000 or $7.89 a share.

For fiscal 1961 Northrop expects to increase sales to $280,000,000. Says president Jones: "We look for at least a 30% increase in our electronics & communications sales and as a result of the build-up in our T-38 orders and the work we are doing on boundary layer control, there will be an increase in sales in our aircraft activities for the first time in five years." The space age manufacturer also anticipates "an accompanying increase in earnings of 10-to-15%."

Stock Story

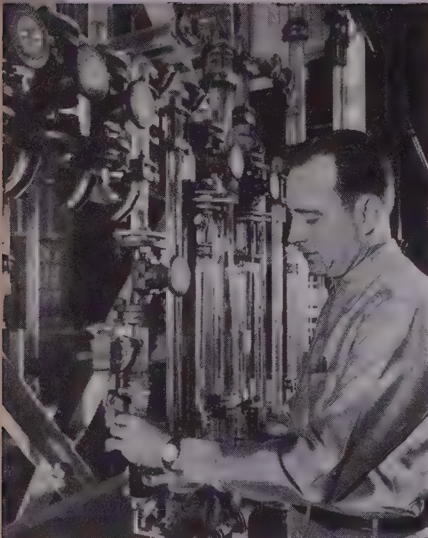
On the Big Board the 1,835,500 shares of Northrop common have performed well, trade only two points off the 1959 high of 44 and triple the five-year low of 15 recorded in 1957. Ahead of the common is $15,740,000 in long-term debt. This includes $4,000,000 (out of an original $10,000,000) in 4% debentures convertible into common at $27.25 a share and $10,000,000 in 5% debentures convertible at $38.50. With their attractive conversion privilege the 4s of 1975 now sell around 153; the 5s of 1979 whose conversion price is far closer to the current market enjoy a more modest premium of 118.

CHEMICALS
Heyden Highlights

UNLIKE many chemical producers in this somewhat confused year, Heyden Newport Chemical Corp has managed to report a decisive rise in earnings along with higher sales. With products from pine oil to plastics, Heyden Newport in the first nine months tallied record sales of $45,600,000, up 9% over last year. Profits for the period jumped far more sharply to $1.20 a share from 90¢. Full-year forecasts place sales roughly 10% above last year's record $55,950,000 and earnings at $1.60 a share *v* $1.19.

At mid-Manhattan headquarters president Simon Askin comments on the pleasant current results: "It is a combination of circumstances but being a highly diversified company certainly is significant." Formed by the merger of Heyden Chemical and Newport Industries in 1957, the $57,000,000-assets manufacturer does about half its business in a wide variety of synthetic organic chemicals including familiar preservative formaldehyde and salicylates (the aspirin raw material); the other half is derived from tall oil, turpentine, rosins and other naval stores products.

Increased rosin prices have been a big factor in this year's bigger profits which are also boosted by some newer sophisticated (and hence higher-margined) products such as boll weevil killer Strobane. The company has also developed a high-temperature jet engine lubricant which is "coming along very satisfactorily. But it could be a couple years before



Salicyladehyde for synthetic rubber

it becomes really significant. It depends very much on the B-70 program and developments like that."

The Newport division's chief source of naval stores products are pine stumps, waste wood and by-products from wood pulp manufacture. The Heyden division supplies its two Jersey chemical plants with their principal raw material—methanol—through a Texas City facility owned jointly by Heyden and Monsanto. Heyden's own biggest chemical product is pentaerythritol which is used in synthetic resins, paints and explosives.

Simon Askin cites product lines which are "complementary and supplementary" as plus factors for the four company divisions which in addition to Heyden Chemical and Newport Industries include Nuodex Products (specialty chemicals for the paint, textile, ink and other industries) and American Plastics (blow molding, injection molding, extrusions, etc).

To build for future gains Heyden Newport has upped capital expenditures to \$8,000,000 this year from \$3,000,000 in 1959. Much of this is to add capacity in maleic anhydride and fumaric acid to an already extensive line of chemical intermediates sold to the chemical, plastics and surface-coatings industries.

The profits gains to date have produced concrete benefits for the 9,000 stockholders. Directors have upped the quarterly dividend payable the first of next month to 20¢ from 15¢, also added a 15¢ year-end extra to make the total 1960 payout 80¢ *v* 60¢ last year. The 2,000,000 Big Board-listed shares are up from 16 early in 1960 but have retreated from the nine-year high of 24⅝ reached this Summer to around 20. This makes for a 4% yield at the new dividend rate.

OFFICE EQUIPMENT
Pitney-Bowes Takes A Bow

AFTER SOME YEARS on an earnings plateau, Stamford-based Pitney-Bowes Inc staged an encouraging breakout in the September quarter. On 20% higher volume the postal specialist posted a 47% increase in net income to 33¢ a share *v* 24¢. This pushed the nine-month profit to a record \$3,800,000 or 87¢ a share compared to \$3,200,000 (77¢) while gross income rose 14% to \$47,000,000.

Directors immediately hiked the quarterly dividend to 18¢. The old 15¢ rate was established in June 1959 after a 3-for-1 split.

Financial vice president John Nicklis reports "the recent gains were pretty well spread among all our products." Postage meters, the company's mainstay, were aided by a 7-to-8% increase in rental fees in April. More glamorous, if less financially significant, paper handling items including "some post office automation equipment" also did well.

In the third quarter the company began delivery of a $2,250,000 Post Office order for facer-cancelers which sense the location of the stamp on a letter by photoelectric cells and automatically cancel it (IR, Aug 19, 1959). In addition Pitney-Bowes provides the device to open, pass through a scanner and refold letters used in IT&T's facsimile mail transmission equipment which was inaugurated on a Government letters-only trial basis between Washington, Chicago and Battle Creek early this month.

And last month a Pitney-Bowes-developed mail sorting machine which handles up to 45,000 letters an hour *v* a little over 1,000 for hand sorting started a Washington trial.

Outside postal work, the company makes for National Cash Register the electromechanical part of sorter-readers to automatically process bank checks. John Nicklis allows: "We have received two more good-sized orders. Deliveries of 96 machines for the Bank of America will be finished by year end."

At this time Wall Streeters feel Pitney-Bowes will post record profits of over $1.20 a share this year compared to $1.01 in 1959. This will be welcome news for the 12,000 stockholders. The company has attained new volume highs in each year since 1948 but profits in the last four years have remained at a level just above $4,000,000 or $1 a share. John Nicklis now believes "in the next few years our sales should increase as they have in the past and margins should stay where they are now."

He makes the prediction with full realization of the arrival of foreign competition. A postage meter called Postalia made by Telefunken of Germany has recently been licensed by the Post Office for use in New York City and Westchester County. John Nicklis feels "our product is at the very least comparable and probably more sophisticated than Postalia." Added a Wall Streeter: "Sure they'll get more competition—but so has IBM in the computer field"

UTILITIES

Brooklyn Union Check Up

INVESTORS usually connect utilities with stability and greet any deficits with more than usual concern. But $248,000,000-assets Brooklyn Union Gas Company contends its third quarter loss of $23,000 is nothing alarming.

Brooklyn Union treasurer Gordon C Griswold explains: "We are generally in the red in the third quarter. While sales for these three warm months are at a low point, our fixed costs stay the same." Moreover the company does most of its repair work during the summer and as a result "maintenance expenses tend

to run very high in the third quarter."

For the full nine months, there was no question of red ink. Brooklyn Union revenues rose a solid 11% to $69,000,000 while net moved up to $5,730,000 or $1.13 a share from $4,870,000 ($1.04). For all 1960, "assuming normal weather," the company expects to earn a record $1.75 a share compared to $1.67 in 1959.

Dividend Data

Brooklyn Union "fairly consistently maintains a 70% [dividend] payout." Based on this year's expected results, the current $1.20 annual rate falls a bit short of this. Gordon Griswold comments: "That is something the board decides but I don't know of any move afoot to increase the dividend at the November meeting. There have been periods when the earnings warranted but the dividend wasn't increased right away."

If the 1960 profit estimates are achieved Brooklyn Union will resume its chain of record profits started in 1953. The chain was broken last year when the utility posted a 1.3% drop in net income on a 4.6% revenue gain. Moneyman Griswold blames the dip on the "weather differential." In the New York area 1958 was "considerably colder" than average while 1959 was "only slightly colder." To make up for less heating sales at a plushy $1.15 per mcf, Brooklyn Union had to make more interruptible sales at a profit-squeezing 37¢.

Brooklyn Union serves a 4,000,000 population in all of Brooklyn, Staten Island and over half of Queens. About three-fourths of its revenues come from residential customers. In the search for more residential additions Brooklyn Union continues to drum up profitable gas space heating business, has added 16,000 new accounts so far this year to bring the total to over 125,000. Space heater customers bring in a chunky one-third of total revenues.

The utility also promotes and sells gas appliances. In the twelve months through September Brooklyn Union sold $8,400,000 worth of ranges, dryers, heaters, etc or "about the same as last year." With a grin Gordon Griswold adds: "You know 1960 has not been a very good appliance year."

In each of the past ten years Brooklyn Union has cut its rates. The latest reduction which came in July was somewhat of a twist. "We increased minimum monthly rates by 20¢ to $1.35. This results in a little over $1,000,000 additional revenues. However we reduced rates on the other end of the line for our bigger residential users by about $2,000,000." The net savings to customers comes to $1,059,000, brings total cuts in the last decade to over $6,500,000.

METALS

Fansteel Focus

FROM VALIANT to Imperial, every '61 rolling off Chrysler Corp assembly lines is equipped with an alternator which is intended to provide ample juice for all electric accessories without draining battery power needed for sure

starts. Key component of this replacement for the familiar-type generator is a silicon diode rectifier which turns alternating into direct current.

This rectifier is one of the intriguing new products of $32,000,000-assets Fansteel Metallurgical Corp which is principally known for activity in fancy metals like columbium and tantalum. Fansteel president Frank Howard Driggs concedes "this year silicon rectifiers will be only some 1% of our sales."

But he adds positively: "In the next year or so Ford and GM will be forced to adopt a comparable system. We foresee supplying about one-fifth of the total demand." Industry sources estimate the potential auto market at some $25,000,000. At present Motorola is the only competitor in the silicon rectifier field but Dr Driggs (a PhD and ex-instructor at Illinois) expects "at least two more manufacturers will eventually be in the market."

For more rugged industrial needs, Fansteel makes a heavy-duty selenium rectifier. In fact selenium rectifiers have also been used for years in police cars, cabs and other autos with special power needs. But they involved too costly and bulky an alternator set for use as standard equipment. Frank Driggs admits "the silicon rectifier will now partly cut into this market" but adds "the selenium rectifier still meets a very specific need."

While it seeks to develop steady, down-to-earth auto business in its Rectifier-Capacitor division, Fansteel's main business in refractory metals (high melting point) tends to be more exotic in both source and destination. For instance it imports its columbium and tantalum from Nigeria and the Congo (in Katanga province from where shipments have been getting through so far) while molybdenum is obtained in the US and tungsten from the US, South America and Spain.

Rare Metal Uses

These high strength and corrosion resistant refractory metals with melting points in excess of 3,600° F are fabricated into parts and components for missiles, rockets and space vehicles. For instance North American Aviation's X-15 manned rocket ship employs high-density Fansteel 77 metal (over 90% tungsten-copper-chrome) for instantaneous reaction in its operating controls.

Fansteel also employs its know-how in space age electronics. The company carries on an extensive program with special emphasis on miniaturization. Fansteel's tantalum capacitors are used in many missile programs including the Atlas.

Returning to more mundane occupations, the Electrical Contacts & Specialties division turns out motor controls, switches, relays and power switch gear for automotive, electronic, communication, computer, appliance and business machine manufacturers. President Driggs comments: "Growth in this division parallels the growth of the electrical industry. This year it will show a little lower profit than last year because of the lower rate of production of consumer durables. Next

Doctor-president Frank Driggs

year with a more complete switch line it will do considerably better."

Through wholly owned Vascoloy-Ramet Corp, Fansteel also manufactures a complete line of tungsten carbide products including carbide tools, coal mining machinery, cutters and rock drills, bits for mining, oil well drilling and construction as well as carbide compositions for ball point pens.

The base for all Fansteel's operations is the Metal Products division which extracts and refines the metals from ores and concentrates before the three other divisions fabricate them into products. Operation of all the divisions yielded fractionally higher sales (one-third of 1%) in the first nine months this year but earnings were only $1,380,000 or $1.57 a share compared with last year's $2,000,000 ($2.37).

Dr Driggs explains the setback: "There are three things which account for our decreased earnings: 1) start-up costs at the new silicon rectifier plant which began operation in June; 2) general increase in costs without a corresponding increase in prices which greatly affects us because a high percentage of our costs are fixed operating costs; 3) our third quarter is traditionally our lowest sales period but this year it was more than seasonally slow because of the lower rate of production of consumer durables."

But for the fourth quarter 65-year-old Driggs optimistically states: "It will be the best quarter of the year." Even so sales for the full year will only be "approximately the same as the $31,000,000 of 1959" with earnings "in excess of $2 a share" *v* $3.05 last year.

As for next year president Driggs notes "expansion plans for 1961 are not quite framed up at this point but if they are no greater than depreciation charges [$2,000,000] as they were this year and if we have better earnings as expected, the board may consider a dividend increase." The present 25¢ quarterly rate has been maintained since 1956 and a 3% year-end stock dividend has been paid each year since 1954.

This has brought total common shares outstanding at last count to 880,000, the sole capitalization apart from $5,900,000 in long-term debt. The Big Board-listed stock has shown some wide swings. It pushed from 43 in 1958 to an alltime peak of 72 near the end of last year and stood at 69 as late as this June. But by last week it sold only four points above the year's low of 44.

MUNICIPALS
Odd Lot Oddity

MOST INVESTORS in common stocks know they must pay a slight premium in the form of a higher commission rate if they wish to buy odd lots—blocks of less than 100 shares. In the municipal bond market the shoe is on the other foot. The dealer often offers lower prices—and therefore higher yields—to get rid of odd lots. In tax exempt bonds an odd lot is a block of less than ten bonds of $1,000 face value each.

The potential bargain price status involves bonds in the so-called secondary market—where a trading market has been established after the original issuance of the bonds. It also is limited to serial issues, those divided up into small blocks due in each of a number of different years.

Take the case of some New York State Thruway Authority State Guaranteed bonds, originally issued in 1953. Recently a block of ten of these bonds (a round lot) bearing a 2½% coupon and due in June 1974 was offered to yield 3% while a five-bond block of the identical issue was offered to yield 3.10%. There are some instances when the spread rises to as much as 25 or 30 basis points.

The reason dealers do not like odd lots is they take just as much selling effort and bookkeeping as round lots. They accumulate them willy-nilly when they acquire a new issue, sell out round lots and still have small amounts left in inventory. Once they have them, they have to make concessions to find a buyer.

To get around this problem, dealers, through their trade associations, are hoping to interest big issuers of bonds such as cities, states and the like to issue some or all their bonds in minimum $5,000 denominations. Until this is done, investors will have chances from time to time to pick up a tax exempt bargain. The condition tends to prevail particularly when dealers' inventories (reported daily in the *Blue List*) reach a high figure and the market looks a little "sticky."

There is of course another side to the coin. The person who buys an odd lot should plan to hold it to maturity to take full advantage of the lower price and higher yield. If he sells before then, he must expect to experience about the same penalty for the lack of marketability as did the dealer who sold it to him.

CHEMICALS
Air Reduction Expands

WITH its all-pervasive atmosphere-derived products industrial gas producer Air Reduction Company likes to claim it "serves every segment of the economy." Thus Air Reduction president John A Hill believes: "For a look at our future you have to analyze the future of every industry." Energetic 56-year-old Hill attempted to tackle this task two weeks ago when he came down to Wall Street from company headquarters in the Socony Mobil Building. He led off with a quick survey of five major industries served by Air Reduction "each of which

has a growth rate in excess of the economy in general."

The first was electronics. Stated president Hill: "Air Reduction is in a unique position to take advantage of electronic growth." About 25-to-30% of last year's $200,000,000 sales was in industrial gases. Two of these, nitrogen and argon, find wide use in many phases of electronic component manufacture. For instance "germanium and silicon crystals, the hearts of transistors, are grown and tunnel diodes born in an inert gas atmosphere."

Electronics Customers Grow

Air Reduction's electronics customers have grown rapidly. President Hill points out "25 major electronic component makers in New England consumed 600,000 cubic feet of nitrogen per month in 1954. Today they use 29,000,000 cubic feet." To accommodate them and other New England electronicians Air Reduction is spending $5,000,000 to triple capacity at its Acton, Mass plant which turns out oxygen, nitrogen and argon.

Likewise electronic growth on the West Coast has spurred Air Reduction to double capacity at its San Francisco oxygen, nitrogen and argon plant. The company is completing a new air separation plant in Tampa to take care of Florida customers. John Hill comments: "The electronics industry has a long way to grow and Air Reduction does too."

Air Reduction products are also used "throughout all phases of missile work." In particular demand is oxygen which serves as a key constituent of many rocket and missile fuels.

Oxygen is also important in steelmaking. President Hill points out: "Although missiles and electronics are most exciting, we must not obscure the developments in more mature industries especially steel." Air Reduction is a leading supplier of oxygen to the steel industry (after Union Carbide and Air Products). It has doubled its oxygen-making capacity since the beginning of this year.

President Hill next looked at the food and processing industries where "new applications for gases in packaging and processing are uncovered constantly." A few examples: nitrous oxide as an effective propellant in pressurized packaging of meat tenderizers, cake frostings and whipped cream; use of carbon dioxide as a food preservative and as a humane means of immobilizing hogs before slaughter.

The last industry cited by headman Hill was construction. Air Reduction gases argon and carbon dioxide are used in arc shield welding.

Also with the expanded use of metal construction processes (such as metal facades on skyscrapers) Air Reduction is finding more uses for its Aircomatic welding and cutting equipment. This equipment which is sold to metal fabricators is Air Reduction's second most important product line after gases, accounts for about 25% of company sales.

Chemicals based on acetylene such as vinyl acetate, polyvinyl chloride and polyvinyl alcohol last

year accounted for 22% of company sales. Air Reduction is spending $22,000,000 to expand its Calvert City, Ky chemical operation. This includes an additional vinyl acetate unit bringing capacity to 90,000,000 pounds a year and a soon to be completed, highly instrumented 20,000,000 pounds-a-year polyvinyl alcohol resin plant.

Chief Hill reports: "Start-up difficulties are almost over and we are close to being out of the woods." But he adds: "The outlook for polyvinyl alcohol is not as rosy as expected. We'll have to do a lot of product and market work here." One outlet might be a polyvinyl fiber (vinal) but John Hill states: "If we go at all we're not going into it alone."

Air Reduction's wide base of operations rounds out with medical gases and related equipment. The company turns out such anesthetic gases as nitrous oxide (laughing gas) and cyclopropane as well as therapeutic oxygen.

To insure the continued use of its products Air Reduction is spending $18,000,000 for capital improvements this year and more than likely will exceed the $6,500,000 spent on R&D last year for the biggest research budget in five years. President Hill comments: "In the Sixties we look forward to still increasing expenditures for R&D. I think it's safe to assume many new developments will result from our research efforts."

So far this year Air Reduction has countered the general business recession. Sales for the first nine months were up 2% to $155,400,000 while profits came to $11,700,000 or $2.98 a share as against $11,440,000 or $2.94 for the same period a year ago.

For the full year president Hill predicts sales "a little higher" than 1959's record $200,600,000. Earnings are figured around $3.90 a share compared with the $3.81 netted last year. A $2,400,000 loss on Air Reduction's oxygen and acetylene plants in Cuba which were seized last month will be charged to surplus. "The effect on earnings will not be significant as earnings from Cuban operations this year amounted to about 2¢ a share."

Air Reduction stock however has not countered the general market trend. On the Big Board the company's 4,000,000 common shares are off 13 points from their high of 85 earlier this year.

Welding aluminum cylinders

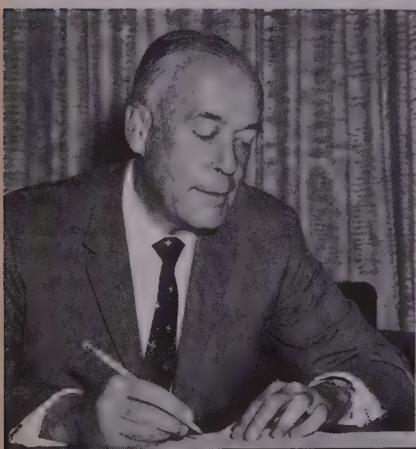
Square D Grows With Electrical Devices

Midwest Producer Sparked By Modern Facilities And New President

SENTIMENT has not tied expansion-minded electrical equipment maker Square D Company to its home precincts. Founded in Detroit in 1903 as McBride Manufacturing Company, it produced the first US-made safety switch. It took the trademark Ⓓ from the name of its native city. The label became so familiar the company in 1917 rechristened itself Square D and headquartered in Detroit for over half a century. But last month Square D left autodom and moved to new $1,000,000 executive offices in Chicago suburb Park Ridge.

The switch was necessary, explains president Lawrence G Maechtlen, "so we could be more centrally located in relation to our plants. In 1958-59 we moved all the obsolete Detroit manufacturing facilities" to Lexington, Ky; Peru, Ind; Detroit suburb Madison Heights and Cedar Rapids.

New president Maechtlen



Altogether since 1954 Square D has spent $28,000,000 (all internally financed) building and modernizing its plants all the way from Cleveland to Los Angeles. In consequence, all but one of Square D's 21 facilities in the US, Canada, Mexico and Britain "are less than ten years old." The exception is the Peru factory which prexy Maechtlen states "has been 75% modernized in the last five years."

Maechtlen at Helm

Lawrence Maechtlen is also operating in a new capacity. He became president last April after Gordon Patterson resigned "because of disagreement over the policies to be followed in the management of the company." Gordon Patterson had headed Cleveland's Electric Controller & Manufacturing Company and became top man at Square D when the two companies merged in 1955. He has since become president of Yale & Towne Manufacturing but remains a Square D director.

President Maechtlen himself has a straight Square D background. He came to the company immediately after graduating from Cal Tech in 1926. He started off as a draftsman and worked through various levels until he was elected executive vice president two years ago.

He has seen Square D enlarge one product into a line used "wherever electricity is distributed and controlled. Our equipment starts at the unit sub-station where voltage from the power line is reduced and ends at the outlet on the wall." To dis-

tribute electricity in the home, store or plant, Square D makes safety switches, circuit breakers, ducts, load centers, heavy-duty switchboards, etc. To regulate electric motor driven equipment such as rolling mills, cranes, machine tools and conveyors it puts out everything from simple push-button starters to complex magnetic control systems.

Square D Glamor

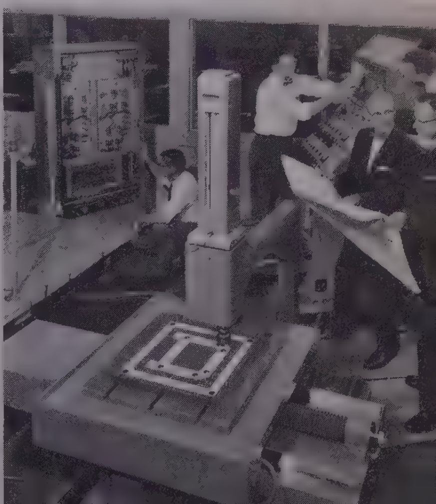
Square D also has a touch of glamor with its electronic control systems. Introduced in 1959, "Norpak" is used for static (no moving parts) switching. "Its numerous applications" range from regulating steel reducing processes to RCA's Chicago data processing center. Another star, "Rapac," made its debut two months ago at the Production Engineering Show in Chicago. Rapac is a programmed positioning control system which takes information from punched tape and makes machining operations such as drilling, punching, milling virtually automatic. President Maechtlen notes Rapac provides "very close tolerances" or accuracy to one-thousandth of an inch. The executive further states: "Our electronic business is doing very well but like the industry in general has showed no definite volume and profit pattern so far."

Happily Square D as a whole shows a definite upward pattern this year. Nine-month sales rose 8% to $86,000,000 while net climbed to $8,600,000 or $1.60 a share from $1.30. Shipments in the fourth quarter are trailing slightly behind 1959's excellent final period when the company had sales of $30,700,000 and profits of $3,600,000 (65¢). However Larry Maechtlen still looks for record 1960 volume of $114,000,000 and earnings of $2.10-to-2.15 a share *v* $1.95 last year. This is only a little below the 1956 high of $2.28 based on fewer shares.

Since 1957 Square D has maintained a 25¢ quarterly dividend augmented by a 2% year-end stock distribution in two of the past three years. Through the years Square D has certainly been good to its owners which now number 12,300. Anyone who bought 100 shares for $3,300 after the only public offering in 1928 has by now received over $35,000 in dividends. Through splits and stock dividends his shares have multiplied into 2,800 worth more than $71,000. The present capitalization consists entirely of 5,400,000 common shares which trade on the Big Board at 29, down nine points from the alltime high earlier this year but up sixfold in the last decade.

Square D financial reports in-

Rapac tested on Square D



clude results of the Canadian subsidiary established in Toronto 46 years ago but do not consolidate the Mexican subsidiary (formed 1945) and the 51%-owned British company (1955). Larry Maechtlen estimates the latter pair "represent about a tenth of our total sales." He also reports: "The Canadian and Mexican companies [both distribution & control] are doing well. The British concern [controls only] is spectacular."

Domestic Gains

At home, general purpose controls for such industries as construction along with distribution equipment have shown the best gains this year. Heavy industry controls for the auto, machine tool, steel and similar industries are below the 1959 level. Industry in general accounts for 70% of Square D business and the rest is equally divided between commercial and residential customers.

A further breakdown is difficult because Square D sells largely through 800 distributors in the US and 200 more in the rest of the world and "we don't know the end use of these products. Our market is very diverse." The company also sells some controls directly to original equipment manufacturers such as machine tool maker Ex-Cell-O Corp and to large users such as US Steel. But "we don't have any one big customer."

Square D competitors are easier to identify. Westinghouse and GE "go right across the field" producing everything from heavy generating equipment to appliances. Others include Allis-Chalmers, Cutler-Hammer, Federal Pacific, ITE Circuit Breaker, each of which compete with Square D in certain product lines. With 15 other leading electrical equipment companies, Square D is under indictment for alleged conspiracy to fix prices on control and distribution equipment. However Square D has been tagged on only one minor charge, fixing its catalog prices in line with the industry.

Even though Square D is not "the bellwether of the industry," its profit margins are among the best if not tops in the group. Last year the company netted after taxes nearly 10¢ on each sales dollar. It has maintained the same pace this year.

And if business experiences a downturn next year prexy Maechtlen figures "our margins won't drop below 9% even if sales fall as much as 5%." Moreover "our capital expenditures in 1961 should run about $1,700,000" and be amply covered by a depreciation of $2,250,000. Square D's capital expenditures for 1960 will be $3,600,000 against a depreciation of $2,300,000.

With more efficient plants now in operation Square D is in good position to improve profit margins on added volume. Wall Streeters feel this might come about. The Edison Electric Institute predicts electrical output will double in the next ten years, just as it did in the past decade. Moreover with overcapacity plaguing many industries, most companies will concentrate expenditures on modernization instead of expansion. Square D with its control systems for automation should cash in on this trend.

Acquisitive General American Oil

Domestic Producer Builds Reserves, Elects New President

CORPORATE executives have to be flexible in their planning as 37-year-old W Lewis Perryman Jr will testify. Last February when he addressed the New York Security Analysts as executive vice president and general counsel of $110,000,000-assets General American Oil Company of Texas, he reported his company's wildcat drilling "had almost tripled in the past few years" with exploration and drilling expenditures up from an average $6,000,000 in 1957 and 1958 to $11,100,000 the year ended June 1959. He added: "We expect to continue exploration at about the 1959 pace."

Last month, eleven years after he joined up as an attorney, Lew Perryman became the sixth and youngest president in the history of General American Oil (GAO on the Big Board). From his newly assumed office at Dallas headquarters he commented on a shift in General American's drilling emphasis for the June 1961 year. Wildcatting (exploratory drilling in unproven areas) has been cut to a minimum and development drilling (in proven or semi-proven areas) has been stepped up.

Reason for the shift, explains Lew Perryman, is General American's accelerated acquisition policy. The company bought more oil and gas properties in fiscal 1960 than ever before. "Consequently, there is a great deal of development drilling needed. For the present we'll make more money drilling these proven or semi-proven areas." But the president stresses: "Our current drilling operations represent a shift in emphasis, not a change in policy."

A second advantage from the shift may be a cut in overall drilling costs which last year made a sizable dent in earnings. Charges for "dry holes and abandonments" were up 62% in fiscal 1960. Combined with higher interest expense and severe production prorationing in Texas this forced final net down two-thirds to 66¢ a share from $2.08 in fiscal 1959 even though operating income of $28,000,000 was at an alltime high. This year earnings "should increase substantially."

Oil Payment

In its record acquisition spree last year General American utilized so-called "oil production payments," a method of buying proven reserves which has spurred GAO growth since

GAO team Perryman and Meadows

its 1936 founding. In fact the oil payment concept was developed by GAO's founder and present chairman, Algur H Meadows.

Now widely used in the industry, oil payment permits a buyer to purchase oil reserves by putting up only 10-to-30% of the price. The balance is paid by a loan secured by future oil production as collateral. Principal and interest on the loan are paid back out of oil, "when, as and if produced."

The direct lender usually is not a bank or similar institution since the speed of repayment depends on the rate of actual oil production and price. However, the loans are attractive to a number of investors who may in turn borrow from banks on their own credit (thus using little if any of their own capital) and profit by collecting a higher rate of interest than they pay.

Leverage Advantage

To the purchasing company the great obvious advantage of financing through oil payment is leverage on its cash. In the beginning a fixed amount (usually 80-to-90%) of the proceeds from the oil & gas produced goes to the lender. But once the loan is repaid, the purchasing company owns the property free and clear. Algur Meadows explains: "Since over a long term the properties acquired pay for themselves to a large extent—a little cash goes a long way."

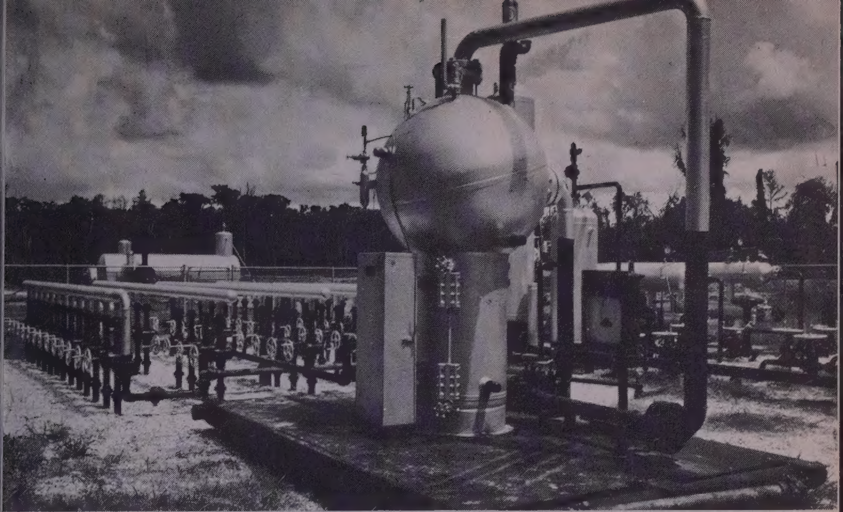
For instance last year GAO's transactions for acquisitions came to almost $120,000,000 of which various joint-venture partners took a $58,800,000 stake. GAO financed its own share of the participation with $5,700,000 in cash and $55,300,000 (plus interest) payable out of oil, "when, as and if produced."

Its relatively small cash stake bought GAO net reserves of 36,200,000 barrels of oil and 540 billion cubic feet of gas. Added to the company's own discoveries, this boosted GAO reserves during fiscal 1960 from 112,000,000 to 141,000,000 barrels of oil and more than tripled natural gas holdings from 221-to-746 billion cubic feet. A goal reported "well on its way to realization" calls for gas reserves of a trillion cubic feet by 1965.

GAO also managed to increase oil production last year from 8,200,000 to 8,800,000 barrels while gas output more than doubled from 6-to-13.2 billion cubic feet with both increases attributed largely to newly purchased properties. Gas output is expected at least to double again this year while oil production is estimated to "increase substantially."

With its stream of acquisitions, GAO ranks among the largest domestic crude producers. Continued emphasis on oil payments has assisted its build-up of reserves and production particularly during the past decade. Estimated oil reserves have increased 290% since 1950 and 45% since 1955, natural gas reserves 778% and 192% in the same periods.

Producing properties are located largely in Texas (see cover), Oklahoma, Kansas, Louisiana and Canada. GAO's three principal purchases last year were in southern Louisiana thought to be rich in both gas and



Oil & gas separators at Louisiana field

oil. Of greatest interest in Canada is the northeastern corner of British Columbia where GAO owns a 25% interest in 455,000 acres which it expects will become a major gas producing area. Because the property is undeveloped, estimated reserves in British Columbia are not yet included in company totals.

Aside from Canada foreign activities are limited to Spain where GAO has since 1951 participated with other American interests. It owns 56% of the American group which will share output equally with the Spanish government if any oil is produced (all dry holes to date). The group has concessions in continental Spain covering approximately 2,000,000 acres and has just been granted concessions in the Spanish Sahara totaling over 1,200,000 acres. Says Lew Perryman: "We will commence pre-drilling operations immediately and start drilling just as soon as it is feasible."

Peak net for General American came in fiscal 1957 when it earned $9,085,000 or $3.06 a share on gross operating income of $25,000,000. The same year also brought GAO common to the Big Board where it reached its alltime high of 45. This year its 3,338,000 common shares have ranged from 26 to 17, now trade near the low of 19.

Since the peak year profits have slipped to $2.33 in 1958, $2.08 in 1959 and then last year's 66¢. President Perryman tends to discount this decline however: "The equity value of our assets is a more important measure of our growth. As a producing company we must sacrifice current earnings to development of new reserves."

For the future Lew Perryman stresses GAO's acquisitive appetite remains unsatisfied: "While drilling policies may change one policy remains—we'll continue to do what we can to grow in every way possible."

HOBART HANDIWORK

Increased capacity is one of several improvements in the dressed up and expanded 1961 KitchenAid home dishwasher line. It was recently presented by Hobart Manufacturing Company, located in Troy, Ohio, 20 miles due north of Dayton. As this pleased homemaker demonstrates, her carefully loaded KitchenAid holds twelve standard place settings. With service for only eight, there is room for a few pots & pans, serving dishes, mixing bowls and other utility items.

This year Hobart departs from its traditional single-line offering. It presents the new KitchenAids in three series: Custom, Imperial and Superba Varicycle which Hobart hopes will mean "a dishwasher for every kitchen and every budget." Portables start at $260 list while suggested tags on built-ins range from $290 to $360. The new 1961 line is the first major model change of Hobart's KitchenAids since 1957 but the company claims it has "the most complete line in the dishwasher industry."

Dishwashers by KitchenAid are only one of a variety of products built by $24,000,000-assets Hobart. Under the KitchenAid name it also makes home coffee mills and portable food mixers. But the 63-year-old company does the largest part of its business as a leading maker of commercial food preparation machinery. Among its products are computing scales, scrapers, waste disposers, peelers, mixers, meat choppers and tenderizers, saws and slicers. These as well as commercial coffee mills and commercial dishwashers are sold under the Hobart and Hobart-Dayton labels.

Hobart has pioneered in the modernization and automation of this type of equipment which is sold primarily to restaurants, supermarkets, hospitals and other institutions. Especially popular for food chain use is the Hobart-Dayton 2000 system introduced in 1956. This machine weighs random food packages, computes their value at a given price-per-pound rate, prints and attaches a label all in one operation.

This Spring Hobart added a full line of heavy-capacity food scales including built-in, floor and overhead-truck models. The equipment will be produced for Hobart by centenarian Howe Scale Company of Rutland, Vt.

Hobart branched into a new line in June when it acquired the Troy Sunshade Company whose plant adjoins Hobart's own headquarters. Troy Sunshade makes in & outdoor furniture, beach umbrellas, etc, mostly for motels, schools and other institutional customers.

The company has also developed extensive foreign operations and is

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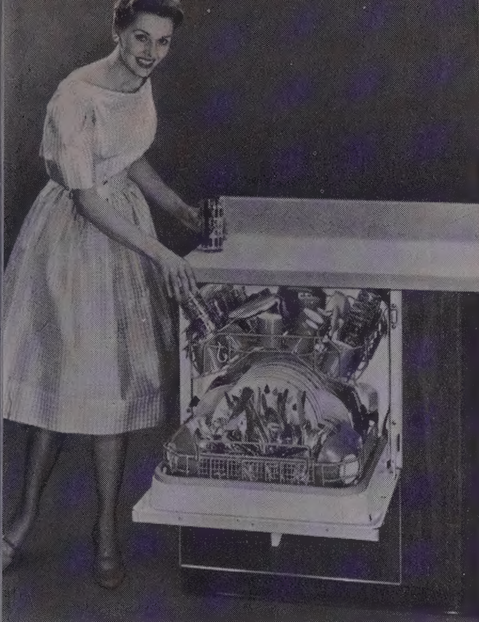

expanding them rapidly. It first went abroad in 1910, now has factories and sales agencies in Canada, Australia, Mexico, Brazil, Britain and four Common Market countries.

During 1959 president David Meeker presided over the opening of new headquarters in Mexico City and a new assembly plant in Barnstaple, Britain which draws its parts from an older Hobart plant in Barnstaple. Meantime a factory outside London has been converted to dishwasher production.

This April Hobart bought the "prominent" dishwashing division of Germany's K Martin Maschinenfabrik, now turns out dishwashers under the Hobart Martin label at the Offenburg plant. Says David Meeker: "With the new British facilities and the German acquisition, we are in position to serve better the two European trade zones—the Common Market and the Free Trade Area."

Hobart's specialized product mix has provided the company with a healthy diet for growth. Hobart has expanded sales for 15 consecutive years to last year's record $67,000,000. Earnings likewise hit a new peak last year of $5,900,000 or $4.47 a share.

Investors have not ignored Hobart's steady progress. The 1,313,000 common shares trade over-the-counter around 55. While this is close to the low for 1960 (the high was 63), it is about even with last year's peak and at least a dozen points better than any previous period. The Hobart cash dividend record dates back to 1906. Its current rate of 40¢ quarterly plus a 60¢ extra paid at the end of last year makes for a yield of 4%.

Hobart hopes to add another record year. Though appliances have suffered an industry-wide sales decline, dishwashers are one of the few to counter this trend, with US output in the first three quarters 420,000 units as against 374,000 last year. Thanks in part to this, Hobart which reports only on a half-year basis announced sales for the first six months up 5% to $32,400,000 while profits inched to $2.15 from $2.13 in the same period last year.

ORIENTAL OBSERVATION

According to Confucius, there are four things from which the wise man should be free. He should have "no foregone conclusions, no arbitrary predeterminations, no obstinacy, and no egoism."

Confucius didn't know it, but his description of the wise man is also a description of the intelligent investor. Consider:

If you have no foregone conclusions, you feel free to put your money wherever the prospect of profit looks brightest.

If you have no arbitrary pre-determinations, you can view the market dispassionately and buy or sell whatever and whenever seems right.

If you have no obstinacy, you will not continue to hold a stock long after you should have sold it.

And if you have no egoism, you will not be upset at finding yourself wrong sometimes and will correct your errors promptly.

This is a large order. Frankly, it's not easy for anyone who is investing his own hard-earned money to be free of those four faults. He is likely to be emotional at the very time when he should be objective. What he needs is help from a disinterested source.

And that's our cue. We have a sizable Research Department for the very purpose of helping investors and prospective investors make decisions on the basis of fact, not prejudice. Why not sample their service, without charge or obligation? Just write a letter to our Research Department, outlining your financial situation and your investment objectives.

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